

Macro Developments: Upgrades in GDP growth forecasts and downtrend in unemployment

HSBC and Moody's raise Philippine GDP growth projections

- ▶ HSBC raised its 2022 growth projection for the Philippines to 6.5% from its original target of 5.7% on the back of strong domestic consumer spending, rising foreign worker remittances, and a rebound in government infrastructure investments. Similarly, Moody's Analytics raised its 2022 growth estimate to 7.2% from 6.1% following stronger-than-expected first quarter growth buoyed by accelerating domestic consumption.

Unemployment eases to the lowest level since the pandemic

- ▶ The Philippine unemployment rate eased to 5.7% in April, the lowest since the 5.3% recorded in January 2020. Unemployment is expected to have a downtrend as face-to-face schooling resumes and government subsidies are rolled-out in targeted sectors.

Industry Watch: Outsourcing outperforms targets; office leasing sees uptick in demand

Philippines' business process outsourcing (BPO) industry exceeded growth targets in 2021

- ▶ Revenues of the BPO sector rose 10.6% to USD 29.5B in 2021, according to the IT and Business Process Association of the Philippines (IBPAP). The industry ended the year with 1.44 million workers, up by 9.1% or 120,000 new jobs. The revenue jump surpassed IBPAP's 5.5% growth target, and the increase in new hires was nearly double the target of 5%.
- ▶ The expansion was fueled by pent-up demand from global customers, growth in emerging sub-segments such as e-commerce, healthcare and technology, and an increasing shift by global corporations to BPO services to drive efficiency and control costs.

Demand for office space increases in the first half of 2022 driven by take-up from the BPO sector

- ▶ According to Leechiu Property Consultants, demand for Philippine office space more than doubled quarter-on-quarter to 255,000 sqm in Q2 2022, the highest since the pandemic began in 2020. The BPO sector accounted for the largest share of the take-up at 43% or 107,000 sqm. In the first six months of 2022, leasing transactions reached 379,000 sqm, representing 70% of 2021's full-year take-up. For the second half of the year, Leechiu expects 212,000 sqm of new office leases to be signed, with full-year demand expected to trend close to pre-pandemic levels.
- ▶ According to Colliers, notable leasing transactions include Facebook, Lazada, Arcadis, Orix, and ePerformax in office spaces across different areas in Metro Manila. Colliers sees net office take-up reaching 350,000 sqm this year supported by firms' increasing return-to-office mandates.

Going Public: Capital raising activity and a new real estate investment trust (REIT)

Capital raising in the local stock market amounted to USD 1.1B in the first half of 2022

- ▶ 2022 has so far seen eight initial public offerings (IPOs), one stock rights offering, and four private placements. According to the CEO of the Philippine Stock Exchange, this year may mark a 26-year high in the number of IPOs given the robust pipeline of maiden offers lined up in the second half of the year.
- ▶ Among the newly listed firms is VistaREIT Inc. (VREIT), the commercial REIT of property developer Vista Land & Lifescapes, which debuted in June. VREIT raised USD 90M in its IPO. VREIT's assets are comprised of ten shopping centers and two office towers. VREIT is the Philippines' seventh REIT, joining the class of assets with Ayala Land's AREIT, Megaworld's MREIT, Filinvest Land's FILRT, DoubleDragon Properties' DDMPR, Robinson Land's RCR, and Citicore Renewable Energy's CREIT.

First Steps: New Philippine President takes the helm

President Ferdinand Marcos Jr. has been sworn in as the Philippines 17th president

- ▶ In his first speech as president, Marcos communicated the new administration's priorities, which include infrastructure, food security, energy supply, and healthcare. Following the presidential inauguration, several members of Cabinet have been sworn in, including heads of the departments of finance, foreign affairs, tourism, trade and industry, and transportation.
- ▶ Among the new president's first acts was the veto of a bill establishing a special economic zone adjacent to the Bulacan Airport, an upcoming international airport north of the Philippine capital city. Marcos cited fiscal prudence and contentious provisions that grant the proposed economic zone authority special powers that do not exist in other economic zones. Following the decision, lawmakers have been encouraged to address deficiencies in the proposed measure.